



#2  
2020

# ECONOMIC OUTLOOK

THE GOTHENBURG REGION

+2.2%-points  
Unemployment

+767%  
Redundancies

60.9  
Economic tendency  
(recession)

Extra appendix  
In-depth analysis  
within commerce  
and services  
Pages 5-6

## SUMMARY

After a long period of favourable economic development, the Gothenburg region is now entering a recession. The Covid-19 pandemic is almost certainly the main culprit behind the current situation. All our regional indicators point to a clear downturn in the economy. Job growth is losing momentum, and unemployment is rising sharply – as are the numbers of redundancies being announced and companies being declared bankrupt. Parallel to this, air traffic is almost at a standstill and the region's hotels have few guests. The region's businesses are now facing difficult times, and the uncertainty as to when demand will return to normal levels is making the situation increasingly difficult to predict.

## TRADE AND INDUSTRY

### Full stop in key markets for the region

The outlook for the economies of the region's key markets is gloomy. Several forecasters, including the IMF and the EU, are predicting considerable downturns in these national economies. Many of the region's key markets have been closed for almost two months, and economic growth in these countries is expected to fall by between 6 and 9 per cent in 2020. China is the only exception.

The Gothenburg region's largest export market, the USA, is expected to contract by an average of 6.2 per cent in 2020. Norway's economy is also expected to suffer a similar fate to that of the USA. Growth in the remaining economies is expected to slow by even more than in the USA and Norway, by some 7 to 9 per cent. The only exception is China, the region's fifth largest export destination. Production in China has slowly started to gain momentum and the country's economic growth is expected to reach just short of 1 per cent. Note, however, that this growth rate is far from the normal for China's economy, which is usually around 6 to 7 per cent. The Euro zone's latest report shows that industry has suffered a lot from the Covid-19 pandemic.

At present, it remains difficult to say to what extent this negative global development will impact trade and industry in our region. What we do know, however, is that demand has taken a heavy hit from the declining global market, with major impacts on both sales and staffing levels. This was, of course, inevitable. Our export-weighted GDP growth for key markets indicates a decline of 6.1 per cent in 2020. However, come 2021, these national economies are expected to bounce back with higher rates of growth than normal, with growth in 2021 at just over 5 per cent.

### Sweden's economy faces negative GDP growth

The outlook for the Swedish economy in 2020 is rather weak, with forecasts suggesting the GDP will decrease by 6.4 per cent by the end of 2020. A positive rebound is expected during 2021 with forecasts suggesting GDP growth of 3.9 per cent. Sweden's GDP increased by 0.1 per cent during the first quarter of 2020 compared with the fourth quarter of 2019. The marginal increase was mostly due to exports, as a fall in consumption kept GDP growth in check. Overall, net exports boosted GDP growth by 1.7 percentage points.

The economic tendency indicator for Sweden rose in May but remains at a record low. The despondent views of the services sector and the manufacturing industry regarding future production have lightened somewhat. Fewer retail companies expect sales volumes to decrease over the next three months. The construction sector faces a weakened position, mainly due to smaller order intakes moving forward. Parallel to this, households retain their hesitant outlook on the economy, although this outlook has turned less negative.

### Recession in the Gothenburg region

The survey from Sweden's National Institute of Economic Research for the first quarter of 2020 shows that the region has now entered a recession. For companies in the Gothenburg region, the economic tendency indicator for the first quarter of 2020 was 60.9, a fair bit from the next interval of 90 to 99, which indicates that the economy is weaker than normal (see the full interval interpretation of the economic tendency indicator on the right).

### Tough time for commerce and services

Most companies in retail report falling sales for the past three months, and almost all respondents feel that their sales are currently very poor. The number of employees in the sector has decreased over the past three months, with only a few companies reporting staff shortages. A large share of these companies do not expect to recruit new staff or increase sales in the coming quarter. The situation is even worse for retailers in central Gothenburg. Our supplementary survey shows very poor sales with further cutbacks to be expected.

The service sector in the Gothenburg region has found the past three months a difficult period in which to conduct business. Most service companies indicate that demand for their services has fallen throughout the past quarter, and that current orders are few and far between. As for service sector employees, most companies report that recruitment has slowed over the past three months. As in retail, few service companies report staff shortages, and

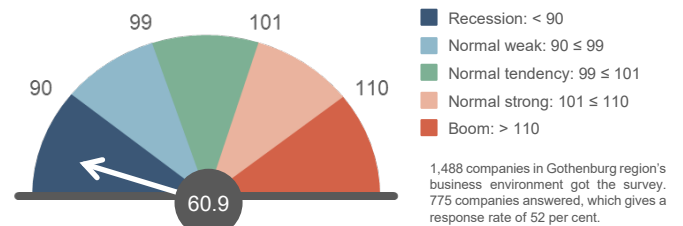
### REAL GDP GROWTH – FORECAST 2020-2021 (IN %) FOR SWEDEN AND SOME OF THE GOTHENBURG REGION'S KEY EXPORT MARKETS

Country	Share of region's exports	2020	↕	2021
Sweden*		-6.4%	↕	3.9%
USA	12.9%	-6.2%	↕	4.8%
Belgium	11.9%	-7.1%	↕	5.7%
Norway	10.4%	-6.0%	↕	3.5%
Germany	8.5%	-6.8%	↕	5.2%
China	7.8%	0.8%	↕	8.8%
Denmark	7.6%	-6.7%	↕	5.6%
United Kingdom	6.0%	-8.9%	↕	5.1%
Finland	5.9%	-6.8%	↕	3.5%
Netherlands	4.1%	-7.2%	↕	4.0%
France	3.9%	-8.2%	↕	5.8%
GDP growth for Gothenburg region's top 10 export markets (weighted by export share)	79.0%	-6.1%	↕	5.2%
Eurozone		-8.0%	↕	5.6%
World		-3.5%	↕	5.7%
World trade, goods and services		-11.0%	↕	8.4%

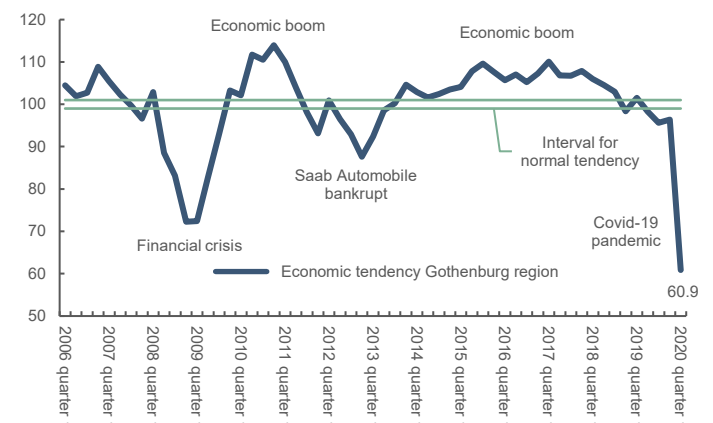
Source: Swedbank (13 May 2020), EU, SEB (6 May 2020) and IMF (14 April 2020)

\* Average of the five last forecasts in the summary produced by the National Institute of Economic Research based on data from Nordea, Swedish National Debt Office, Swedish National Financial Management Authority, Unionen and Swedbank.

### ECONOMIC TENDENCY INDICATOR FOR BUSINESSES IN THE GOTHENBURG REGION – FIRST QUARTER 2020



### ECONOMIC TENDENCY INDICATOR FOR BUSINESS IN THE GOTHENBURG REGION – PER QUARTER FROM 2006



Source: National Institute of Economic Research

## ... from previous section

even here companies are not expected to recruit new employees over the next three months. Service companies have a pessimistic outlook, and the lion's share of companies do not expect demand for services to rise again until June.

### Job growth loses momentum

Trade and industry in the Gothenburg region were already starting to see a downturn before the Covid-19 pandemic enveloped the world. Covid-19 started taking a heavy toll on national economies around mid-March, and its impact is reflected to some extent, although not fully, in the job growth statistics for the first quarter. At the end of the first quarter of 2020, job growth in the Gothenburg region was at 1.1 per cent on an annual basis. More than 546,000 people were in employment, to be compared with just over 540,000 people for the same period the previous year. The increase seen in the Gothenburg region means that job growth here is still more than one full percentage point higher than the national average, although weaker than in the other two metropolitan regions. Job growth in the Stockholm region was 1.9 per cent, while the figure for the Malmö region was 1.4 per cent. Most apparent is that job growth is losing momentum due to cutbacks in staff numbers in sectors related to the hospitality sector. These include transportation, retail, hotels and restaurants, and personal and cultural services, where sharp declines were seen during the past quarter.

### Big increase in unemployment

Unemployment in the region continues to rise with the spread of the Covid-19 pandemic around the world, yet the trend in unemployment, generally speaking, is on the rise throughout the country. In May 2020, unemployment was at 7.5 per cent in the Gothenburg region (+2.2 percentage points on an annual basis). More than 40,500 people are unemployed or in labour market programmes in the Gothenburg region, which can be compared with May 2019 when about 28,000 people were unemployed. Unemployment was 7.8 per cent (+2.1 percentage points on an annual basis) in the Stockholm region and 11.1 per cent (+1.6 percentage points on an annual basis) in the Malmö region. Unemployment for Sweden was 8.4 per cent (+1.8 percentage points on an annual basis).

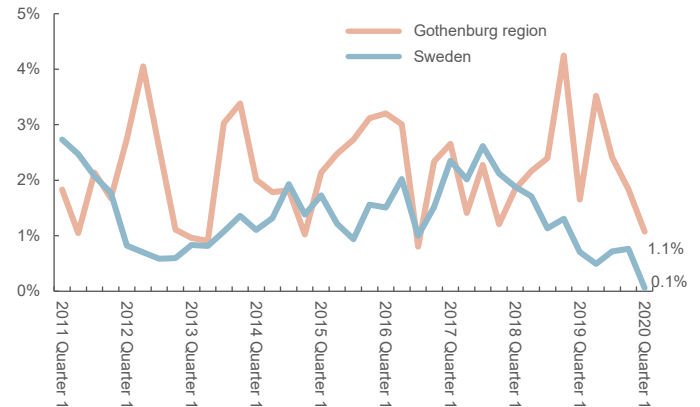
Unemployment is rising sharply across all groups. Moreover, unemployment levels among foreign-born populations remain high. In May 2020, unemployment among foreign-born individuals aged 16–64 was 17.2 per cent (for Sweden as a whole, the figure was 20.4%). For foreign-born young adults in the Gothenburg region, unemployment was 22.1 per cent (for Sweden as a whole, the figure was 23.9%). In the past, we have seen unemployment increase as a result of economic slowdowns in trade and industry. The development we are seeing now is due to a slowdown combined with the Covid-19 pandemic, which has caused a dramatic drop in the demand for labour. Our assessment is that unemployment will continue to grow, at least until the end of the year.

### Redundancies in the region increase rapidly

During the period February to April 2020, an average of more than 5,200 new job vacancies for permanent positions in the Gothenburg region were advertised each month. Compared with the same period the previous year, new job vacancies fell by 29 per cent. If we consider March 2020 alone, the number of vacancies for permanent positions was halved compared with the previous month. Most new job vacancies for permanent positions continue to be advertised in business services, followed by healthcare and care and education (note that there may be some duplication in the new job vacancy statistics, but the indicator is still assessed to be relevant to follow).

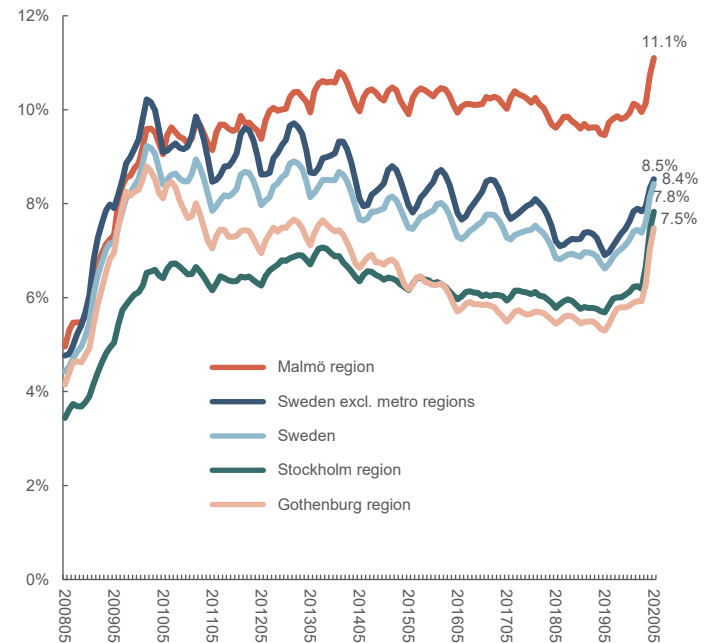
In the wake of the ongoing Covid-19 pandemic, the number of redundancies being announced in the Gothenburg region is also increasing at record speed. During the period February to April 2020, we saw a very steep increase in the number of redundancies being announced, with the average for the reported period amounting to a staggering 2,972 lay-offs per month (an increase of 767 per cent on an annual basis). Several companies have announced redundancies, especially among those operating in the hospitality sector, but also in transportation and industry among others. In March 2020, some 5,000 redundancies were announced in the Gothenburg region. Although fewer redundancies were announced in April 2020 (about 3,600 people), the number is still very high. We expect redundancy numbers to remain high for some time to come. During the period 1–22 May 2020, more than 1,900 redundancies were announced in Västra Götaland County, most of which are expected to be concentrated in the Gothenburg region. Parallel to this, we are seeing a very sharp rise in the number of people put on short-time working allowance programme which might lessen the increase in redundancy announcements moving forward. Up until 29 May 2020, more than 125,000 people had been put on short-time working in Västra Götaland.

EMPLOYMENT INDICATOR - PERCENTAGE CHANGE IN NUMBER OF EMPLOYED ON ANNUAL BASIS



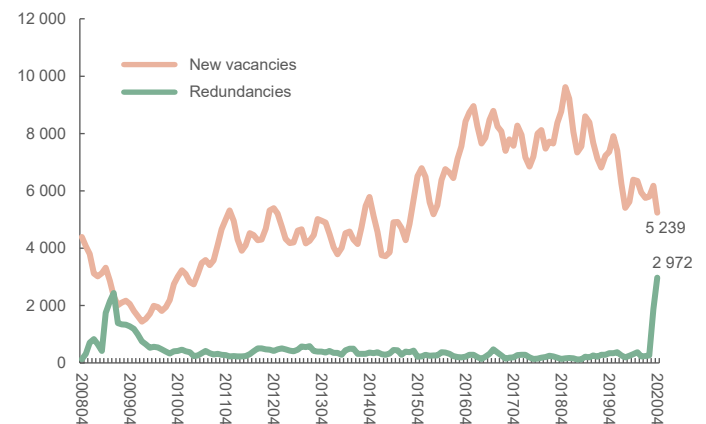
Source: Statistics Sweden

UNEMPLOYED AND PEOPLE IN LABOUR MARKET POLICY PROGRAMMES - PERCENTAGE OF THE WORK FORCE AGED 16 TO 64



Source: Swedish Public Employment Service and Statistics Sweden

NEW VACANCIES FOR PERMANENT POSITIONS AND REDUNDANCIES IN THE GOTENBURG REGION - THREE-MONTH ROLLING AVERAGE



Source: Swedish Public Employment Service

## OTHER INDICATORS

### The office vacancy rate increases

JLL's property market data for the first quarter shows a fairly large increase in the vacancy rate for office space in Gothenburg. During the first quarter of 2020, Gothenburg had an office vacancy rate of 7 per cent (+3 percentage points on an annual basis). The largest increases on an annual basis were seen in Gothenburg's outer districts together with Mölndal, although some increases were also seen in the more central areas of the city. The first quarter of 2020 saw the completion of about 7,700 m<sup>2</sup> of office space, all of which has already been let. The construction of more than 210,000 m<sup>2</sup> is under way for completion in 2020–2022, mostly in Other Inner City (Gårda Vesta, Brick Studio, Kineum and others), but also in Norra Älvstranden (Uni 3 by Geely). Year-on-year, office rents rose the most in the CBD, Other Inner City and Norra Älvstranden.

### Housing prices decline with Covid-19 pandemic

Valueguard's housing price survey for April 2020 shows falling housing prices in the short term. In April 2020, flat prices in Gothenburg increased by 0.7 per cent on an annual basis. The greatest increase in flat prices, though, was seen in Malmö (+2.4% on an annual basis). In Stockholm, the increase was 1.9 per cent. In the shorter term, 1–6 months, flat prices decreased in all three metropolitan municipalities, most noticeably in Stockholm and Gothenburg.

When it comes to house prices, the strongest growth was seen in the Stockholm region (+4.1% on an annual basis), followed by the Malmö region (+3.8% on an annual basis). In the Gothenburg region, the corresponding figure was an increase of 1.6 per cent on an annual basis. If we compare current figures with those seen over the past 1–3 months, house prices are falling in all metropolitan regions. And if we compare current figures with those seen over the past 6 months, house prices are falling most in the Gothenburg region, while the Stockholm region and the Malmö region are seeing increases. Covid-19 has had a heavy impact on the housing market, bringing down housing prices recently, with the most visible effects in the Gothenburg and Stockholm areas.

### Number of bankruptcies in the region increases

Following the first four months of the year, we can see that the number of bankruptcies has increased sharply. For all of 2019, just over 700 companies were declared bankrupt. From the beginning of this year to the end of April 2020, 291 companies in the Gothenburg region were declared bankrupt. This has mainly affected small retail businesses, but even other industries such as business services, construction, and hotels and restaurants. In the month of April, 84 companies were declared bankrupt. If we instead take the figures seen in the first four months of 2020 and compare them with the same period in 2019, there were 55 more bankruptcies in the region, corresponding to an increase of just over 23 per cent. Some 2,000 employees in the region have been directly affected by their employers being declared bankrupt, most of them in March and April.

### Large declines in air passengers and guest nights

During the period February to April 2020, Göteborg Landvetter Airport saw an average of just over 204,000 air passengers per month (-58.6% on an annual basis). It was mainly during the months of March and April that passenger numbers fell dramatically, on both domestic and international flights, due to the Covid-19 pandemic. In the month of April, only 2,800 air passengers passed through Göteborg Landvetter Airport. The entire transportation sector, especially the airline industry, is now facing a difficult time as we move forward.

The region has seen prominent growth in the number of commercial guest nights over the past five years. In both January and February 2020, guest nights increased sharply, but in March, the number of guest nights at the region's hotels, hostels and campsites plummeted. This is most apparent in the number of guest nights attributable to foreign guests, which fell dramatically in March. For the first quarter of 2020, there was an average of 263,000 guest nights per month, corresponding to a drop of 13 per cent. However, the most dramatic slumps are expected during the second quarter of the year, primarily in April and May, the statistics for which are not yet available.

### Rough period for new car sales

Trends in the consumption of durable goods, such as the number of newly registered cars, are important indicators when assessing the state of the private economy. The trends seen in the most recent period show that new car sales are falling on an annual basis. The first quarter of 2020 saw the registration of about 7,000 new cars in the region (-12.3% on an annual basis). In April 2020, only 1,700 new cars were sold in the region, which is the lowest sales figure since April 2006.

### PRICE DEVELOPMENT OF FLATS AND HOUSES, APRIL 2020 COMPARED TO 1, 3, 6 AND 12 MONTHS BACK IN TIME

Housing type	City / region	1 M	3 M	6 M	12 M
		Mar 2020- Apr 2020	Jan 2020- Apr 2020	Oct 2019- Apr 2020	Apr 2019- Apr 2020
Flats	Gothenburg	-3.0%	-3.0%	-1.9%	0.7%
	Stockholm	-3.9%	-3.4%	-1.4%	1.9%
	Malmö	-3.4%	-1.9%	-0.4%	2.4%
	Sweden	-3.4%	-3.0%	-0.8%	1.7%
Houses	Gothenburg region	-0.7%	-0.7%	-0.2%	1.6%
	Stockholm region	-2.1%	-0.9%	2.0%	4.1%
	Malmö region	-1.4%	-0.2%	2.9%	3.8%
	Sweden	-1.1%	-0.1%	2.2%	3.7%

Source: Valueguard

### NUMBER OF BANKRUPTCIES IN THE GOTHENBURG REGION, BY SECTOR – TOTAL 2019 AND PER MONTH 2020

Sector	2019	2020				2020
	Total	Jan	Feb	Mar	Apr	Jan-Apr
Commerce	136	11	13	12	17	53
Business services	115	9	9	11	16	45
Construction	101	7	10	13	12	42
Hotels and restaurants	56	7	4	6	12	29
Transportation	35	2	4	4	3	13
Personal services	23	2	2	3	6	13
Information and communication	31	1	5	4	1	11
Manufacturing and mining	37	3	1	2	4	10
Health care and care	10	0	3	1	1	5
Property	14	1	1	1	1	4
Other sectors	150	25	11	19	11	66
Gothenburg region total	708	68	63	76	84	291

Source: Statistics Sweden and Swedish Agency for Economic and Regional Growth

### TABLE SUMMARISING THE ECONOMIC SITUATION IN GOTHENBURG REGION – COMPARISON WITH CORRESPONDING PERIOD PREVIOUS YEAR

Indicator	2020	2019	Change
Economic tendency, Q1	60.9	101.5	-40.6 units
People in employment, Q1	546,200	540,400	+1.1%
Unemployment, May			
Total 16-64 years	7.5%	5.3%	+2.2%-p.
Domestically born 16-64 years	4.5%	2.7%	+1.8%-p.
Foreign-born 16-64 years	17.2%	14.5%	+2.7%-p.
Total 18-24 years	9.9%	5.4%	+4.5%-p.
Domestically born 18-24 years	7.5%	3.2%	+4.3%-p.
Foreign-born 18-24 years	22.1%	18.6%	+3.5%-p.
Job vacancies, Feb – Apr (monthly average)	5,239	7,361	-28.8%
Redundancies, Feb – Apr (monthly average)	2,972	343	+767.4%
Vacancy rate for offices in Gothenburg, Q1	7.0%	4.0%	+3.0%-p.
Population, Q1	1,044,424	1,031,617	+1.2 %
Number of bankruptcies, Jan – Apr	291	236	+23.3%
New car registrations, Q1	6,954	7,931	-12.3%
Air passengers, Feb – Apr (monthly average)	204,173	493,673	-58.6%
Guest nights, Q1 (monthly average)	263,041	302,826	-13.1%

Source: Statistics Sweden, National Institute of Economic Research, Swedish Public Employment Service, JLL, Swedish Transport Agency and Swedish Agency for Economic and Regional Growth

Business Region Göteborg (BRG) strives to achieve sustainable growth and employment in the Gothenburg region's 13 municipalities. This economic report is published on a quarterly basis. The report is based on analyses conducted by BRG and compilations of surveys and other sources, with the latter including Statistics Sweden, the Swedish Public Employment Service, Region Västra Götaland, Valueguard and the Swedish Transport Agency. Unless stated otherwise, the statistics in the report relate to our member municipalities: Ale, Alingsås, Gothenburg, Härryda, Kungälv, Kungsbacka, Lerum, Lilla Edet, Mölndal, Partille, Stenungsund, Tjörn and Öckerö. The contact persons for the Economic Outlook Report are Henrik Einarsson, Head of Establishment, and Peter Warda, Analyst. The report and all tables and charts can be downloaded from [www.businessregiongoteborg.se](http://www.businessregiongoteborg.se).

# In depth analysis – economic tendency within commerce in the Gothenburg region

What is included in commerce?

Commerce include companies within wholesale, daily goods sales and durable goods sales, as well as e-commerce.

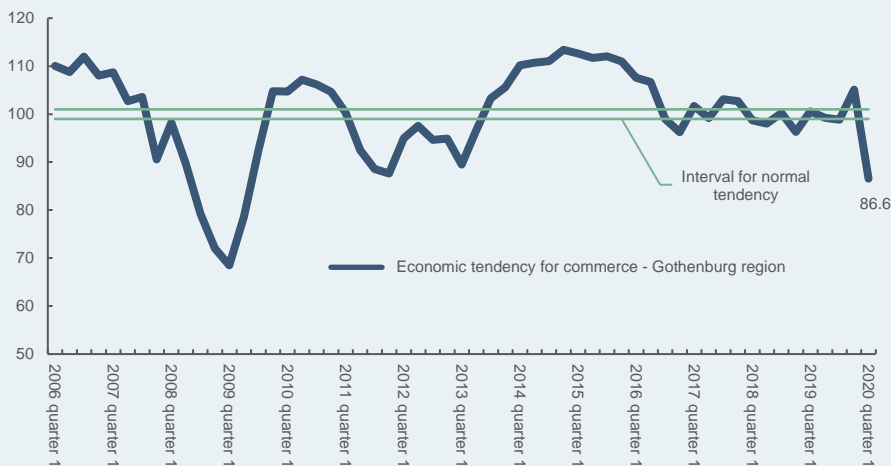


Survey period for companies during the first quarter 2020 has been March 30 to April 21, 2020. 378 companies got the survey, 196 answered, response rate: 52 per cent.

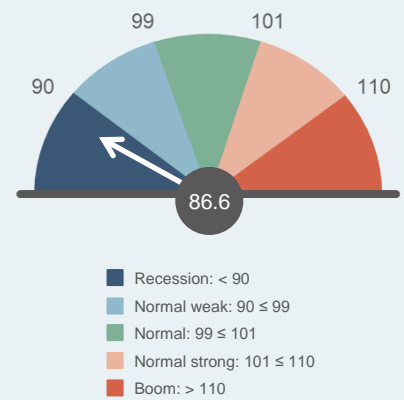
When is the survey conducted?

Source: National Institute of Economic Research

Economic tendency indicator for commerce over time

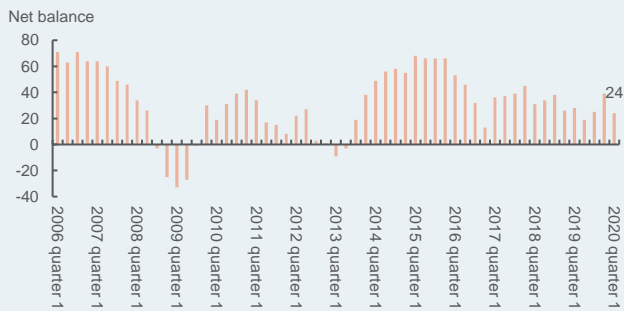


Current tendency for commerce



## Result last three months

Sales volume

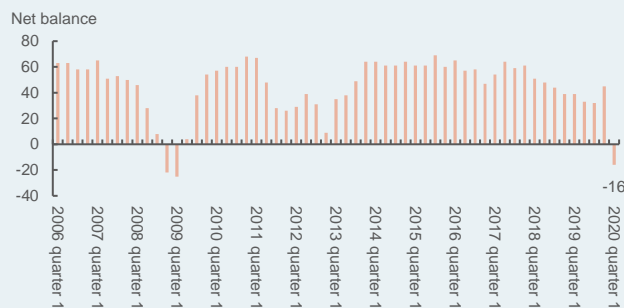


Number of employed



## Expectations coming three months

Sales volume



Number of employed





# In depth analysis - economic tendency within services in the Gothenburg region

What is included in services?

Services comprises all services from the private sector such as transportation, hotels and restaurants, business services, information and communication, property, financial services and insurance and cultural and personal services. Services from the public sector are not included in the economic tendency indicator.

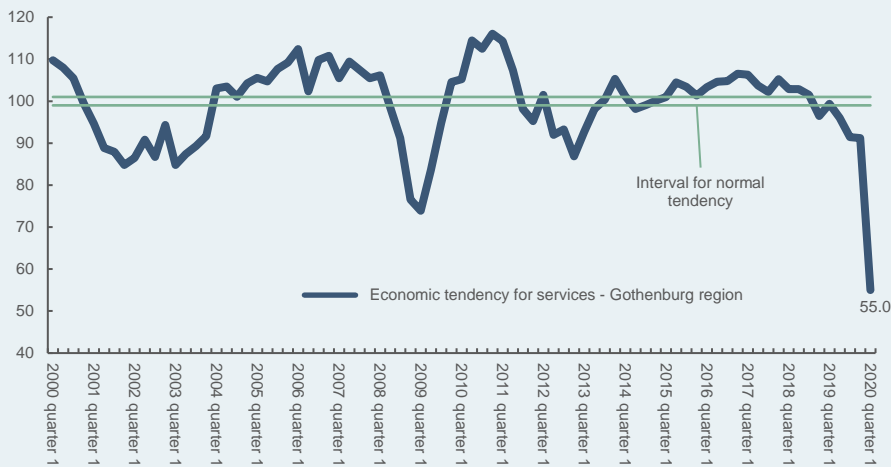


Survey period for companies during the first quarter 2020 has been March 30 to April 21, 2020. 740 companies got the survey, 372 answered, response rate: 50 per cent.

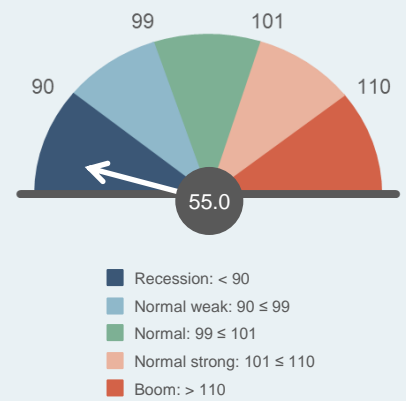
When is the survey conducted?

Source: National Institute of Economic Research

Economic tendency indicator for services over time

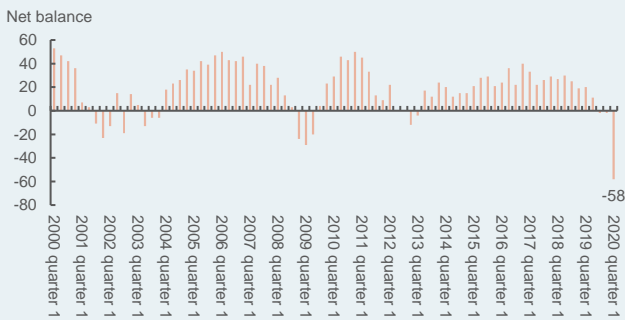


Current tendency for services

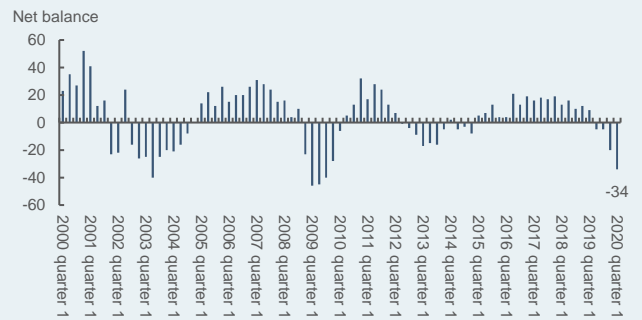


## Result last three months

Demand for services

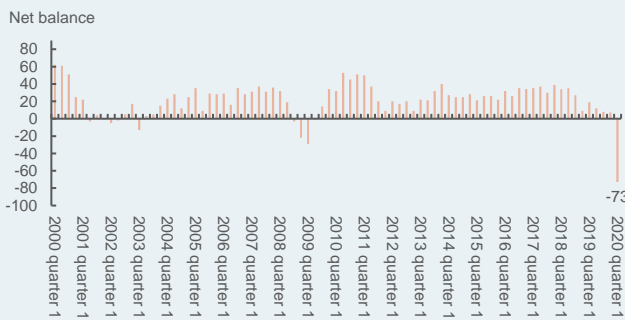


Number of employed



## Expectations coming three months

Demand for services



Number of employed

